

**DATE:** March 26, 2014

**TO:** Council Budget & Finance Committee Members

**FROM:** Director of Finance

**SUBJECT:** Annual City Benefit Liabilities & City-Issued Debt Review

## **RECOMMENDATION**

That the Committee reviews and comments on this report and provides guidance regarding plans for funding the City's benefit liabilities.

## **BACKGROUND**

The City of Hayward, like all cities and municipal agencies, manages both debt and unfunded benefit liabilities as part of its financial picture. Last January 2013, staff provided the Council Budget & Finance Committee with a report that summarized the City's outstanding debt and discussed the existing benefit liabilities. This report serves as the second annual review of these topics – and specifically addresses the funding of the City's benefit liabilities.

Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately and simultaneously due. Generally, an organization operates based on policies that attempt to find a responsible balance between funding some identified portion of each of those obligations, the associated risk that the unfunded portion of the obligations presents to the organization, and responsible and realistic management of the organizations's cash.

Achieving this careful balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to fund the obligations at the 100% level causing an unreasonable portion of the City's cash to be reserved and making it unavailable for funding on-going City services and operations.

## **DISCUSSION**

**Benefit Liabilities:** The City actively manages its benefit liabilities and completes actuarial valuations for all benefit liabilities with the exception of accrued leave payouts. These valuations consider the economic, demographic, and historical compositions of the benefit programs and establish amounts that the City should set aside each year to fund its benefit-related financial obligations. In today's economic climate, it is critical that the City continue to manage its

liabilities to ensure long-term fiscal stability. Actuarial valuations identify the Annual Required Contribution (ARC) an agency should make toward the funding of the benefit. This is essentially the minimum funding amount that should be responsibly made by any organization.

As bond rating agencies review the City's debt, they actively consider the level of the City's unfunded benefit liabilities and the economic pressure this places on the City. Failure to meet the minimum recommended funding levels or implement a long-term plan to pay down the future liabilities could have a negative impact on future bond ratings – with a possible resultant increase in the cost of borrowing should the City seek to incur new debt.

The City's four benefit liabilities include:

1. California Public Employees' Retirement System (CalPERS)
2. Workers' Compensation (self-funded)
3. Other Post-Employment Benefits (OPEB) – Retiree Medical Benefits
4. Accrued Leave Payouts

Table 1 provides a summary of the City's benefit liabilities and current levels of funding. Each of these benefit liabilities is unique in its structure and funding the degree of funding varies depending on the benefit.

**Table 1: Summary of Benefit Liabilities**

<i>(in millions)</i>	<b>Actuarial Valuation Date</b>	<b>Accrued Liability</b>	<b>Value of Assets</b>	<b>Funded Ratio</b>	<b>Unfunded Liability (1)</b>	<b>Unfunded Ratio</b>
CalPERS Police Safety Plan	6/30/2012	\$ 269.3	\$ 170.5	63.3%	\$ 98.8	36.7%
CalPERS Fire Safety Plan	6/30/2012	\$ 217.3	\$ 139.5	64.2%	\$ 77.8	35.8%
CalPERS Miscellaneous Plan	6/30/2012	\$ 353.4	\$ 225.3	63.8%	\$ 128.1	36.2%
Retiree Medical (all groups)	6/30/2011	\$ 69.0	\$ 0.5	0.7%	\$ 68.4	99.3%
Workers' Compensation	6/30/2012	\$ 11.7	\$ 4.0	34.1%	\$ 7.7	65.9%
Accrued Leave Payouts (2)	6/30/2013	\$ 8.6	\$ -	0.0%	\$ 8.6	100.0%
<b>Total</b>		<b>\$ 929.2</b>	<b>\$ 539.8</b>	<b>58.1%</b>	<b>\$ 389.4</b>	<b>41.9%</b>

(1) The percent of unfunded liability for the CalPERS plans is based on the Market Value of the Assets and assumes smoothing over time.

(2) Accrued Leave Payouts - no actuarial valuation

### **California Public Employee Retirement System (CalPERS)**

*Current Annual cost: \$23 million*

*Unfunded Liability: \$197 million*

**Benefit Summary** -- The City's retirement benefit plans represent its largest benefit liability and CalPERS retirement rates continue to be one of the most significant citywide budgetary pressures. This same budgetary stress is felt by the State of California and the over 2,000 public entities statewide that contract with CalPERS for pension benefits.

The California Public Employees' Retirement System (CalPERS) is a defined benefit pension plan funded by a combination of employee contributions that are set by statute. Employer contributions fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. When CalPERS performs its actuarial analysis, it uses data two years previous; for example, the employer rates for Fiscal Year 2014 are based on data as of June 30, 2011. The City contracts with an outside actuary (John Bartel & Associates) to review the City's rates each year, advise on the funded status of the plans, and project employer rates for future years.

The City contributes to three plans: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee Plan (all non-sworn employees). All full-time and part-time benefited employees are required to participate in CalPERS. The three plans are independent of one another with different contract plan amendments negotiated over the years through the collective bargaining process. Assets and liabilities of each plan are segregated with no cross subsidization from one plan to another.

CalPERS Retirement Rates – The cost of the retirement plans is broken into Employee Contribution rates (fixed) and Employer Contribution rates (variable). Both rates are a percent of payroll. The Employee Contribution is fixed and is based on the pension plan formula (generally 9% for public safety plans and 7% or 8% for miscellaneous plans). The Public Employees' Pension Reform Act of 2013 (PEPRA) introduced new benefit formulas effective January 1, 2013 that affect new employees to the City that have not previously been part of the CalPERS system. Implementation of these will require careful consideration and planning, and there is little immediate financial benefit to the City.

There are two employee groups (sworn police and sworn fire employees) that actually contribute beyond the Employee Contribution portion (9% for these two groups) and pay a portion of the Employer Contribution: 8.62% for sworn police and 6% for sworn fire personnel. This is a significant benefit cost-sharing effort. The Employer rates displayed in Table 2 do not account for these cost sharing agreements as the table is intended to represent the full Employer cost as assessed by CalPERS.

Over the last several years, the CalPERS Board of Administration has considered and adopted several rate methodology changes that directly impact the retirement rates that cities pay (employer contribution rates). Each of these changes is effective in different fiscal years, with varying phase-in schedules. While these changes significantly increase our current retirement costs, they are intended to stabilize the CalPERS plans for long-term sustainability and should have been implemented long ago in the CalPERS system.

*March 2012 Change (effective FY 2014, two-year phase-in through FY 2015)*

In March 2012, the CalPERS Board took action to reduce the assumed rate of investment return from 7.75 percent to 7.5 percent. The employer rate impact from this action was effective FY 2014, with a two-year phase-in, and a full rate impact by FY 2015. The most recent actuarial valuations provided to the City of Hayward by CalPERS in November 2013 reflect the final rates for FY 2015, which increased over FY 2014 rates by 2.4% - 4.6% of payroll.

April 2013 Change (effective FY 2016, five-year phase-in through FY 2020)

On April 17, 2013, the CalPERS Board adopted significant rate methodology changes that directly impact employer rates starting in FY 2016. The impact of these changes will commence in FY 2016 and be phased in over five years, with the full impact by FY 2020. These actuarial changes are designed to boost funding levels and make employer rates more predictable in the long-run and are estimated to increase all employer rates by 2% - 5% of payroll:

1. Shorter smoothing period<sup>1</sup> & shorter amortization period for gains/losses
2. Closed instead of rolling 30-yr amortization
3. Use market value of assets to determine rates<sup>2</sup>

February 2014 Change (effective FY 2017, five-year phase-in through FY 2021)

On February 18, 2014, the CalPERS Board adopted additional rate methodology changes. While the Board voted to retain its current long-term assumed rate of return at 7.5 percent, they did adopt actuarial changes to assumed mortality rates. The new mortality assumptions will cost local agencies an average of up to 9% of payroll for safety classifications and up to 5% of payroll for miscellaneous employees by year five of the phase-in (FY 2021). Some municipal officials believe these estimates may be low because of the continued decline in the local government workforce in many cities, reducing the number of active employees contributing to CalPERS.

In response to Governor Jerry Brown's strong urging, the Board voted to speed up implementation of the increased cost of the new mortality assumptions on the state only to begin in FY 2015 and to complete the phase in over three years instead of five. Recognizing that many local agencies have different fiscal capacities than the state, however, the Board voted to adopt a five-year phase in beginning in FY 2017 with a 20-year amortization.

Purpose of Adopted Methodology Changes

While, philosophically, these are appropriate changes to maintain long-term plan sustainability, the cost impact to employers is huge. Over time, the revised methods are designed to create a sustainable CalPERS plan by improving funding levels and reducing the overall funding-level risk. These cumulative changes result in a significant increase in Hayward's employer contribution rates starting in FY 2014 through FY 2021. But in the very long-term (absent additional assumption changes), better funding levels should result in stabilized and even lower employer rates.

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<sup>1</sup> "Smoothing" and "Closed vs. Rolling Amortization" go hand in hand. Smoothing refers to the method by which CalPERS plans to address the unpredictability of investment income and the impact that unpredictability has on employer rates. The revised "smoothing" plan determines the rate increase needed to reach a funding level of 100% in 30 years, phase in the rate increase over five years, and then to maintain those rates as steadily as possible or even lower them. In the past, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with the actual gains and losses experienced by the investment pool paid for over a rolling 30-year period. With the current change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly a five-year period.

<sup>2</sup> CalPERS has traditionally used the actuarial value of their investments in their financial calculations and rate projections (i.e., the investment assets fluctuate in value from one day to the next, so the administrators calculate an average value for the assets, over a given period of time, or the "actuarial value"). In accordance with new FY 2015 GASB provisions, CalPERS will only use "market value," which is using the actual value of the investment assets as determined by the market and adjusting the value up or down accordingly.

### Estimated Rate Impacts

The new valuations the City received in November 2013 reflect rate projections that include the actions taken by the CalPERS Board in March 2012 and in April 2013 (rate of return and smoothing/amortization changes). These rates do not include the most recent actuarial assumption changes adopted by the Board in February 2014.

When Council adopted the FY 2014 Budget, the budgeted CalPERS employer costs reflected rough assumptions of these assumed rate increases – as staff was aware that the CalPERS Board would be taking action. Unfortunately, as depicted in Table 2 below, the City's assumptions were too conservative.

Table 2 provides a detailed summary of our revised CalPERS employer rates based the November 2013 valuation and the rate increase assumptions pursuant to the February 2014 CalPERS Board action. These changes will result in cost increases over the FY 2014 Adopted General Fund Ten-Year Plan of \$1.2 million to almost \$5 million by FY 2021.

**Table 2: CalPERS Rate Comparison**

	FY 2014	FY 2015	Forecast FY 2016	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021
<b>Miscellaneous Employer Rates</b>								
City Assumed Rates (FY 2014 Adopted)	19.7%	21.10%	23.50%	25.70%	27.10%	28.12%	30.14%	30.16%
<b>New Rates - November 2013 Valuation</b> <i>(includes March 2012 &amp; April 2013 Actions)</i>	<b>19.7%</b>	<b>22.06%</b>	<b>23.50%</b>	<b>25.00%</b>	<b>26.40%</b>	<b>27.90%</b>	<b>29.30%</b>	<b>30.16%</b>
Projected Increase from February 2014 Actions	0.0%	0.0%	0.0%	1.3%	2.00%	3.00%	3.50%	4.00%
<b>New Total Projected Rate</b>	<b>19.70%</b>	<b>22.06%</b>	<b>23.50%</b>	<b>26.30%</b>	<b>28.40%</b>	<b>30.90%</b>	<b>32.80%</b>	<b>34.16%</b>
Increase over FY 2014 Adopted as % of payroll		1.0%	0.0%	0.6%	1.3%	2.8%	2.7%	4.0%
<b>Police Employer Rates*</b>								
City Assumption (FY 2014 Adopted)	35.20%	36.80%	39.30%	41.50%	43.80%	45.82%	47.84%	47.86%
<b>New Rates - November 2013 Valuation</b> <i>(includes March 2012 &amp; April 2013 Actions)</i>	<b>35.20%</b>	<b>39.81%</b>	<b>41.80%</b>	<b>43.80%</b>	<b>45.80%</b>	<b>47.90%</b>	<b>49.90%</b>	<b>50.40%</b>
Projected Increase from February 2014 Actions	0.0%	0.0%	0.0%	3.0%	4.50%	6.00%	7.50%	9.00%
<b>New Total Projected Rate</b>	<b>35.2%</b>	<b>39.8%</b>	<b>41.8%</b>	<b>46.8%</b>	<b>50.3%</b>	<b>53.9%</b>	<b>57.4%</b>	<b>59.4%</b>
Increase over FY 2014 Adopted as % of payroll		3.0%	2.5%	5.3%	6.5%	8.1%	9.6%	11.5%
<b>Fire Employer Rates*</b>								
City Assumption (FY 2014 Adopted)	33.40%	35.70%	38.20%	41.41%	44.80%	47.82%	50.84%	50.86%
<b>New Rates - November 2013 Valuation</b> <i>(includes March 2012 &amp; April 2013 Actions)</i>	<b>33.4%</b>	<b>37.15%</b>	<b>39.40%</b>	<b>41.70%</b>	<b>43.90%</b>	<b>46.20%</b>	<b>48.50%</b>	<b>50.86%</b>
Projected Increase from February 2014 Actions	0.0%	0.0%	0.0%	1.9%	3.00%	4.50%	6.00%	7.00%
<b>New Total Projected Rate</b>	<b>33.4%</b>	<b>37.2%</b>	<b>39.4%</b>	<b>43.6%</b>	<b>46.9%</b>	<b>50.7%</b>	<b>54.5%</b>	<b>57.9%</b>
Increase over FY 2014 Adopted as % of payroll		1.5%	1.2%	2.2%	2.1%	2.9%	3.7%	7.0%

\*no cost share included

CalPERS rates are assessed as a percentage of payroll – and the increases reflected in Table 2 demonstrate the percentage increase of payroll. Another way to summarize the increase in CalPERS rates is to look at the year-over-year percentage increase. Using the chart above, the average growth increase in rates from FY 2014 to FY 2021 is over 58%.

### Funding Status & Plan

The City is fully meeting its annual required contribution (ARC) amounts based on the CalPERS premium rates. Given the CalPERS “smoothing” methodology, meeting this ARC does not necessarily pay down future unfunded liability. However, while the recent changes adopted by the CalPERS Board will increase Hayward’s Employer rates, the changes will improve the plan funding status over the next thirty years.

As part of the long-term policy discussion on unfunded liabilities, the Council should consider the advantages and disadvantages of paying additional premium towards the unfunded portion. However, although a prepayment to pay down the City’s liability will reduce the City’s unfunded liability and save money in the long-term, it will have little to no impact on current costs. As one-time funds become available, the City Council can consider using these funds toward a liability payment to CalPERS. Given other competing financial priorities, it may be difficult to justify allocating additional funding toward the CalPERS liability at this time, especially in the absence of any short-term benefit of doing so.

### **Workers’ Compensation**

*Current Annual Cost: \$4.0 million*

*Unfunded Liability: \$7.7 million*

The City is self-funded for Workers’ Compensation and began its program on July 1, 1975. While the City fully funds present day costs, it is not funding future liability. Payments are made to the Workers’ Compensation Self-Insurance Fund by transfers from all City funds through established rates assessed against payroll based on classification type. The amount of payments made by City funds into the Workers’ Compensation Self Insurance Fund are determined by an actuarial analysis conducted by an outside actuary (Bickmore). These accruals represent estimates of amounts to ultimately be paid for reported claims and upon past experience, recent claim settlement trends, and other information. Funds are available to pay claims and administrative costs of the program on a pay-as-you-go basis.

It is important to understand that payments on indemnity claims may be made over a very long period of time. Indemnity claims are those in which future medical care is projected to be needed for the injured worker and the cost is largely dependent on the type and severity of the injury.

### Funding Status & Plan

Pursuant to the current actuarial valuation conducted for the program, a funding status of 70% to 85% is recommended. Table 1 shows that the City is currently at about a 34% funding level. Staff recommends funding at the 80% level and beginning in FY 2013, has implemented a plan to build the fund balance toward achieving an 80% funding level. Workers’ Compensation rates charged against live payroll include a component of cost (about \$1.5 million/year) toward unfunded liability. Once the 80% funding level is reached (about \$9 million in fund balance reserved for future liability) – the Workers’s Compensation rates will be adjusted downward.

## **Retiree Medical (OPEB)**

*Current Annual Cost: \$2.7 million (“pay as you go” for current retirees)*

*Unfunded Liability: \$69 million*

By City Council resolution – and as agreed to with bargaining groups – the City provides certain health care benefits for employees who retire directly from the City with at least five years of City service (most bargaining groups require ten years of service) and who are vested in the California Public Employees Retirement System (CalPERS). The City participates in the CalPERS health care plan, which is governed under the California Public Employees Health and Medical Care Act (PEMCHA).

The City contributes a fixed dollar amount for retiree medical benefits for most bargaining units (all employees except sworn police employees hired before June 12, 2012), with amounts varying by employee bargaining group and coverage level as governed by PEMCHA. Benefits continue for surviving spouses in amounts as required by PEMCHA. As of June 30, 2013, approximately 577 retirees were eligible and were receiving retiree health care benefits from the City at an annual cost of about \$2.7 million, which is the “pay as you go” amount the City currently pays.

There are approximately 690 active employees that may be eligible to receive health care benefits upon retirement. This group of employees represents the number of eligible, current employees and it is the City’s current maximum exposure; it does not necessarily mean all of these employees will either retire with the City or ultimately meet the requirements for receiving this benefit. Similar to the CalPERS retirement plan, the increased life longevity of retirees places a stress on the benefit. The updated actuarial valuation of our local Plan will consider these impacts within its analysis.

### *Funding Status & Plan*

The current annual required contribution (ARC) was determined as part of a September 13, 2011 actuarial valuation (by EFI Associates) that considered benefits that are expected to be earned in the future as well as those already accrued. This actuarial analysis is required by the Governmental Accounting Standards Board (GASB) to be completed every two years. A new valuation effective June 30, 2013 is in process and should be complete by early April 2014.

The City’s OPEB unfunded actuarial accrued liability is amortized as a level percentage of projected payroll using a thirty-year amortization period. Currently, the City is only funding the “pay as you go” portion of the plan cost at \$2.7 million in FY 2013. The actuarial calculation of the City’s ARC is \$6.6 million.

The City is not funding the annual ARC, falling short by about \$4.1 million. The General Fund Ten-Year Plan addresses this situation, and effective FY 2014, begins to fund the the ARC, with the intent to fully fund the ARC in FY 2015. However, this level of funding does not pay down future unfunded liability; it simply achieves payment of the minimum level of funding toward the plan from this point forward. City Council should consider additional funding toward the unfunded liability in future years as one-time funds become available.

## **Accrued Leave Payouts (Compensated Absences)**

*Current Annual Cost: varies (FY 2013= net of \$2.1million)*

*Unfunded Liability: \$8.6 million*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. The City records the cost of vacation and sick leave as "earned." Earned vacation and sick leave that is taken during the year is payable from the fund(s) to which the employee's salary or wage is charged. When an employee retires or otherwise leaves the City, vacation balances are paid out to the employee, and in some cases, some of the accumulated sick leave is also paid out (pursuant to bargaining unit agreements). Historically, these payouts have been paid through a department's budget through vacancy salary savings – and not specifically budgeted for. As staffing numbers have diminished, there are less vacancies, and the capacity to absorb these costs diminishes as well.

### *Funding Status & Plan*

Staff has taken one action to manage this liability during the past two years by managing employees to approved vacation caps. This helps prevent large accrued leave payouts to retiring or terminating employees. However, while progress has been made in this arena, it has not been possible to get all employees below the cap due to staffing shortages.

To further proactively address this liability, staff is considering building a funding mechanism into payroll as a component of the fringe benefit rate (e.g., 1% of payroll for non-sworn and 2% of payroll for sworn positions). This will result in a budgeted increase to the City budget without offsetting budgetary decreases. However, it may prevent large spikes to department payroll budgets when employees with large leave balances leave City employment and cash out their balances.

## **City-Issued Debt**

Table 3 is a basic summary of the types of debt the City currently maintains. The City's Comprehensive Financial Report (CAFR) and the annual budget document both contain detail on the various types of debt with explanations of uses and sources of funds. Hayward is a charter city and, as such, is not subject to a debt limit.

### *Debt Limit & Margin*

The legal bonded debt margin is \$2.5 billion. The City does not have any bonded debt that is subject to this limitation – resulting in a legal bonded debt margin of \$2.5 billion for the City of Hayward.

**Table 3: City-Issued Debt Summary**

	A	B	C	D	E	F
Debt Type	Issuance Date	Maturity Date	Original Debt	Debt as of 6/30/2013	Total Debt as of 6/30/2013	Annual P&I (FY 2014)
<b>General Fund</b>						
07Refunding COP	FY2008	FY2027	\$ 31,820,000	\$ 24,525,000	\$ 25,200,000	\$ 2,620,175
02ABAG/ABAG 33 Refunding	FY2002	FY2021	\$ 3,589,835	\$ 575,000		\$ 86,806
Fire Suppression Equip/Prom Note	FY2011	FY2014	\$ 200,000	\$ 100,000		\$ 100,000
<b>Community Development</b>					\$ 426,033	
04Site Lease/MJCC (Boys & Girls Club)	FY2005	FY2017	\$ 1,215,000	\$ 426,033		\$ 443,345
<b>Internal Service Fund - Facilities</b>						
05Equip Lease/Solar Power Energy	FY2006	FY2030	\$ 1,035,000	\$ 830,000	\$ 1,496,330	\$ 74,838
CEC Solar Energy Loan #7214	FY2012	FY2024	\$ 887,152	\$ 666,330		\$ 95,414
<b>Internal Service Fund - Fleet</b>						
11Equip Lease-Police/Fire/Maint Vehicles	FY2011	FY2021	\$ 3,170,082	\$ 2,234,861	\$ 3,208,448	\$ 458,445
12Equip Lease-PD Replacement Vehs	FY2012	FY2016	\$ 815,000	\$ 517,139		\$ 213,260
13Equip Lease-PD Replacement Vehs	FY2013	FY2017	\$ 520,000	\$ 456,448		\$ 133,826
<b>Internal Service Fund - Technology</b>						
11Equip Lease/Computer Mainframe	FY2011	FY2014	\$ 314,734	\$ 95,339	\$ 766,766	\$ 96,647
12Equip Lease/Computer Maintenance	FY2012	FY2014	\$ 161,207	\$ 53,736		\$ 53,736
12Equip Lease/Comp Cisco Equip	FY2012	FY2014	\$ 20,315	\$ 6,576		\$ 7,418
12Equip Lease/Comp ERP Cisco Hardware	FY2012	FY2017	\$ 755,100	\$ 611,116		\$ 160,569
<b>Water</b>						
96HPFA Refunding Bonds	FY1996	FY2014	\$ 6,440,000	\$ 550,000	\$ 8,225,000	\$ 578,600
04Water System Improvement*	FY2004	FY2025	\$ 6,845,000	\$ 5,770,000		\$ 600,594
01Water System Improvement*	FY2002	FY2027	\$ 5,030,000	\$ 1,905,000		\$ 190,019
<b>Sewer</b>						
07Sewer Refunding	FY2008	FY2018	\$ 9,880,000	\$ 4,250,000	\$ 50,073,264	\$ 1,216,169
SWRCB Loan	FY2006	FY2029	\$ 54,550,018	\$ 43,642,122		\$ 2,727,501
CEC Solar Energy Loan #7505	FY2011	FY2025	\$ 2,450,000	\$ 2,181,142		\$ 217,810
<b>Total Governmental and Business Activity Debt Per FY 2013 CAFR</b>					\$ 89,395,841	

\* Bonds refunding in FY 2013 with first payment due 5/1/14. Not reflected in FY 2013 CAFR

	A	B	C	D	E	F
Debt Type	Issuance Date	Maturity Date	Original Debt	Debt as of 6/30/2013	Total Debt as of 6/30/2013	Annual P&I (FY 2014)
<b>Interfund Loans</b>						
CAD/RMS Replacement Loan	FY2010	FY2016	\$ 2,250,000	\$ 1,125,000	\$ 1,636,905	\$ 397,669
TDA Fire Truck Loan	FY2010	FY2017	\$ 1,000,000	\$ 511,905		\$ 151,548
<b>Fiduciary</b>						
13Community Facility District #1	FY2014	FY2033	\$ 7,076,294	\$ 7,076,294	\$ 14,331,294	
02Community Facility District #1	FY2003	FY2033	\$ 8,200,000	\$ 7,255,000		\$ 627,113
<b>Successor Agency of the Hayward RDA</b>						
RDA Repayment Agreement with Gen.Fund	FY2012	FY2022	\$ 7,016,422	\$ 7,016,422	\$ 54,041,422	
04 RDA TABS	FY2004	FY2034	\$ 44,790,000	\$ 35,385,000		\$ 3,370,357
06 RDA TABS	FY2006	FY2036	\$ 11,800,000	\$ 11,640,000		\$ 638,300
<b>Special Assessment Districts</b>						
LID 16	FY1994	FY2020	\$ 2,815,000	\$ 1,160,000	\$ 1,415,000	\$ 237,685
LID 17	FY2000	FY2024	\$ 396,014	\$ 255,000		\$ 30,016

\* Outstanding balance as of 7/1/2012 (PER ROPS) IS \$7,016,422.00. NO PAYMENTS MADE IN FY 2012 OR FY 2013

### Debt Refunding

During late 2013, City staff refunded the City's Water bond issuances and the Eden Shores Community Facilities District (CFD #1) financing to achieve rate and cost savings for these two issuances. At this point, no other City debt is eligible for refunding.

### Credit Rating

The City's credit ratings are per debt issuance and not all issuances are rated or have been re-rated recently. However, below is a summary of some of the City's larger issuances and their current ratings. The 2007 COP refunding was re-rated by Fitch in August 2012 and was upheld for an AA+ rating; this issuance was recently re-rated by Standard & Poors and the rating was increased from an A+ to AA. The City's Water bonds were re-rated by Standard & Poors October 2012 and upheld with the AA+ rating. This is the second highest available rating.

2007 COP Refunding	\$31,820,000	Standard & Poors AA; Fitch AA+
2001 Water Improvement	\$5,030,000	Standard & Poor's AA+
2004 Water Improvement	\$6,845,000	Standard & Poor's AA+
2007 Sewer Refunding	\$9,880,000	Standard & Poor's AAA; Fitch AAA
2004 RDA TAB	\$44,790,000	Standard & Poor's AAA insured/A- uninsured
2006 RDA TAB	\$11,800,000	Standard & Poor's AAA insured/A- uninsured

### **NEXT STEPS**

Staff will continue to actively manage benefit liabilities and report annually to City Council the funding status of these benefit liabilities. In addition, staff will be bringing suggested policy adoption actions to the Council Budget and Finance Committee over the next year; and will ultimately bring the Committee's recommendations to Council for adoption.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:



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Fran David, City Manager